

USAID INSIGHT

“PARTNERSHIP FOR THE FUTURE OF ALCHEVSK” REPORTS INTERIM RESULTS

USAID and its partners supporting community development in the eastern city of Alchevsk held a conference on June 25 to review progress to date. The “Partnership for the Future of Alchevsk” initiative combines public and private resources to help improve Alchevsk city services and ultimately the life of local residents.

USAID Acting Mission Director Peter Argo expressed satisfaction with the pace of the progress as he addressed the conference. “I am pleased with how Mayor (Vladimir) Choob is incorporating our various projects into the city’s work and that the Industrial Union of Donbas is committed to continuing to support this effort and continuing to fund it.”

During his opening remarks, IUD Director of Corporate Communications Vasilli Arbuzov reflected the positive attitude shared by the participants: “We firmly believe that this partnership we have formed will succeed.”

The Alchevsk partnership began in September 2007 with the signing of a memorandum of understanding between USAID, the city of Alchevsk, and the Industrial Union of Donbas and its Alchevsk Development Fund. The initiative to provide community development support to the city came after the city’s water and heating system suffered several catastrophic failures over the previous few years. Today, the success of the Alchevsk effort depends on three key elements: a commitment to corporate social responsibility and a desire to help the city of Alchevsk by the Industrial Union of Donbas through its Alchevsk Development Fund; a commitment by the Alchevsk municipal leadership and Mayor Choob to focus its work on economic and community development; and a commitment by USAID to provide

programs and technical expertise to support community and economic development.

The project is a comprehensive and integrated effort to stimulate city development and will serve as a model for other Ukrainian cities. It consists of five separate components: developing an economic development strategy to spur local and foreign investment; restructuring the municipal

budgeting process away from line item budgeting and towards performance program budgeting; organizing and empowering civil society and non-governmental organizations in Alchevsk to make the needs and demands of Alchevsk’s citizens known, and to monitor how city government is working; reforming and modernizing Alchevsk’s heating and water treatment systems; and, community exchanges with U.S. towns to increase local knowledge of best international practices.

USAID has brought a number of its current implementers to

the project to address the challenges and resolve the problems facing the city of Alchevsk, all of whom reported on their work at the conference. USAID’s Local Economic Development (LED) project noted that it had helped the city to complete work on a five-year economic strategy that is currently working to attract new business to Alchevsk. “Today real money is coming into the city from private companies and not just from the local budget,” explained LED specialist Anatoliy Solovyev.

Olena Kotlyarska of USAID’s Municipal Budget Program explained that it had helped the city to develop 100 programs to resolve local issues as it introduced performance program budgeting in 2008. Residents

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(from left to right) Mayor Vladimir Choob, USAID Acting Mission Director Peter Argo at the June 25 conference in Alchevsk (Photo: Courtesy of LED)

Supply-Side Philanthropy: Building on the Impulse to Give

When Volodymyr Slobodnyak, an owner of a small print house in Cervonohrad (a small coal mining town in Western Ukraine), returned home from a seminar in Ukraine’s capital on social entrepreneurship, he immediately sought out Ilona Gudvoka, director of a local nonprofit, with a business proposition. What if they launched a new business whose profits could support *Strumochuk*? *Strumochuk* is a local nonprofit serving 170 people with intellectual disabilities and their family members. Gudvoka readily accepted, and with help from USAID’s *Strengthening Civil Society Organizations Project* (USAID/UCAN) the Social Company was born.

USAID/UCAN works extensively with non-profits to help them deliver exceptional services to their constituents – and to help them shore up sources of funding to sustain them over the long term. The project also works with government, businesses, and individuals to encourage philanthropy in Ukraine where resources are often scarce and a strong tradition of giving has not yet been established.

Gradually, Slobodnyak began giving the *Social Company* small and simple orders that came into his print house – silk-screening and placing logos and pictures on



Strumochuk Director, Ilona Gudvoka models a full-body apron and coffee mug – both of which are produced and made-to-order at Social Company. Photo Credit: Halyna Kruk

products such as souvenir cups, t-shirts, or key chains – which freed Slobodnyak’s print house to focus on complicated orders that need more expertise.

With coaching, mentoring and a start-up grant see **PHILANTHROPY**, p. 4

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ALCHEVSK GOES STRATEGIC

Thanks to a collaborative effort among city government, a private fund, and USAID, Alchevsk is ready to implement an economic strategy to develop its communal infrastructure and create favorable conditions for small and medium businesses.

The Alchevsk Development Fund, one of the three partners in the collaborative effort called the Alchevsk Initiative, intends to support nearly all projects included in the Alchevsk economic development strategy, approved by the City Council on May 29. Some of the projects, namely infrastructure projects aimed at renovating the municipal heat supply system, reconstructing roads and upgrading street lighting, began even before the Economic Development Strategic Plan was formally adopted and are well underway.

The plan was drafted by the Municipal Expert Council with assistance from the USAID Local Economic Development (LED) project. The plan focuses on two main priorities - developing the communal infrastructure and creating favorable conditions for small and medium businesses.

Improvement of municipal infrastructure is task number one in a city in which most of the 116,000 residents were literally left freezing after the heat supply system collapsed in January 2006. The Alchevsk Strategic Plan's first priority is to develop communal infrastructure based on innovative and energy-efficient technologies;

specifically to implement up-to-date management methods in the city's housing and utilities sector; carry out reconstruction of communal infrastructure, and introduce energy-efficient technologies.

Partnership for the Future of Alchevsk

On September 14, 2007, Mission Director Earl Gast, Alchevsk Mayor Vladimir Chub and Chairman of the Board of the International Union of Donbas Sergei Taruta signed a Memorandum of Understanding on a comprehensive economic and community development initiative for the city of Alchevsk, entitled, "Partnership for the Future of Alchevsk."

The memorandum provided a general framework for cooperation between the city of Alchevsk, the Industrial Union of Donbas (ISD), and USAID to support economic and community development in the city. ISD has created a \$3 million Alchevsk Development Fund as its contribution to the effort, while USAID provided assistance through the various development programs it has in Ukraine.

The three partners agreed to begin by focusing on local economic development, communal reform, civil society development and municipal budget reform. USAID initially implemented projects to develop an economic development strategic plan for the city and conditions that would stimulate foreign direct investment; to help the city utilize efficient and effective budgeting practices; and to help spur civil society activity in Alchevsk. Eventually the three partners expect to broaden their effort to include projects in access to credit and healthcare.

This year the Alchevsk Development Fund has already disbursed more than UAH 6 million (about \$1.2 million) on various infrastructure and social programs, including strategic plan projects. For example, to upgrade street lighting the fund spent about UAH 500,000 in 2007 and over UAH 200,000 this year (as of early May). Implementation of infrastructure projects typically goes as follows: the fund purchases materials and equipment, and then employees of the relevant municipal enterprises carry out installation and maintaining.

Some of the projects not only make the life of Alchevsk residents safer and more comfortable, but also save money; the use of up-to-date sodium vapor lamps is one example. Last year's savings came to approximately UAH 60,000.

A second priority is to create favorable conditions for small and medium businesses and attract investments by forming a positive image of the city and promoting the city while developing human capital.

The strategic planning process started in Alchevsk in November 2007 following the signing of a

Memorandum of Cooperation by the Alchevsk City Council, USAID, and the Industrial Union of Donbas Corporation on September 14, 2007.

MDI and Alchevsk Water Company Develop Operations Improvement Plan



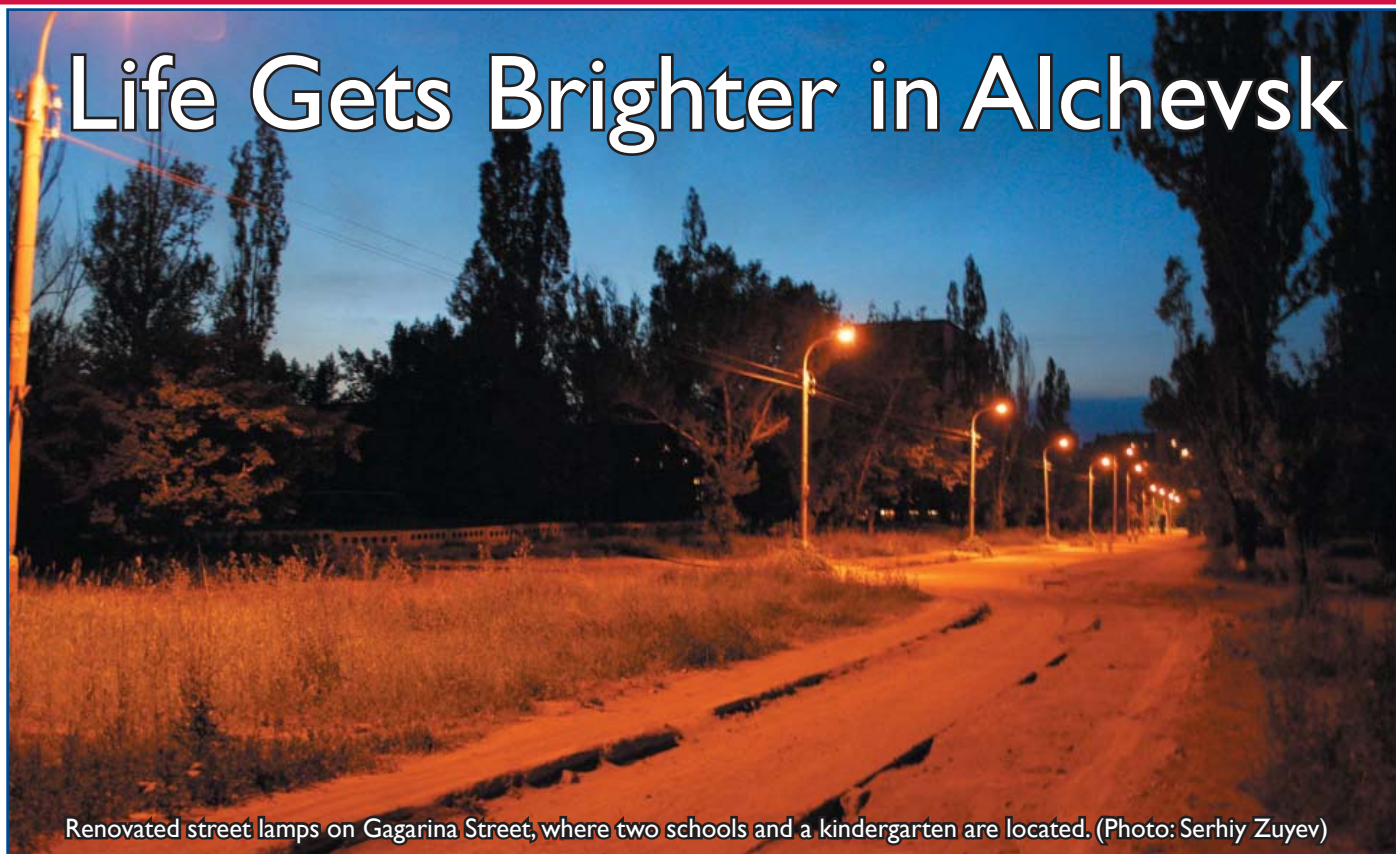
MDI specialists together with Alchevsk water company are doing instrumental measurements in the water mains (Photo: Courtesy of MDI).

In January 2008, the Municipal Development Institute, a Ukrainian NGO, signed an agreement with the Alchevsk City Council, the Alchevsk City Development Fund and the Alchevsk Water Company to jointly develop and implement an operations improvement plan for the Alchevsk Water Company.

For four months, MDI specialists thoroughly studied the Alchevsk water system, the financial status of the water company, and the billing and payment collections systems, and then made recommendations on how to reduce commercial losses. By measuring pressures and flows in the system, MDI specialists identified sections in the water supply network where significant volumes of water flow have not been accounted for. The joint effort of the city, the water company and

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Life Gets Brighter in Alchevsk



Renovated street lamps on Gagarina Street, where two schools and a kindergarten are located. (Photo: Serhiy Zuyev)

Poor street lighting is a common problem in many Ukrainian cities, and Alchevsk is not an exception. It is especially felt in the fall and winter. Elderly people tend not to go out on the street in the late hours unless it is urgent. Parents have to leave work earlier to pick up their kids who stay late at school or take additional classes. "I live on a main street, but even here, in the heart of the city, there were almost no working street lamps. If I needed to go to buy something in a store in the evening, I would wait until the next day," says Lidiya Pikalova, an Alchevsk resident.

Improving street lighting had been a top priority for Alchevsk citizens. The undertaking had to be much broader than merely replacing bulbs; it also had to include repairing street lamps and power cables. Despite the complexity of the issue, several proactive community members took the initiative upon themselves. By attending public budget hearings organized by the city government and the Municipal Budget Reform Project (MBR), the citizens had an opportunity to provide a list of streets and buildings that lacked adequate lighting. Although budget programs were already in place, the citizens were able to influence implementation.

Thanks to an open dialogue between the city government and the community, street lamps were fixed near schools, kindergartens and a maternity house. As a result, street lighting was improved on seven streets. Now, Alchevsk is lit with 5,449 energy-efficient sodium lamps, each saving \$1.05 per hour and resulting in \$13,000 in annual savings, a significant amount for a city with a population of 116,000.

The development and implementation of the street lighting program has been the result of cooperation between the city of Alchevsk, the MBR Project and the Industrial Union of Donbass. Using Program Performance Budgeting, the city was also able to resolve other issues as well. It allocated UAH 85,822 to give economically vulnerable citizens a free subscription to a local newspaper, *Ogni*, which covers the life and needs of the local community and how issues of economic development and social security are managed. In addition, with PPB implementation, city authorities helped to realize the dreams

of teachers and students of School #15 by allocating UAH 105,750 to open tennis and basketball sports classes under a program called *Physical Education – Health of the Citizens of Alchevsk*. Now young athletes can balance studies and sports and will not have to choose one over another.

The new PPB approach to budgeting has made increased government-community cooperation possible. "I believe that the citizens have experienced real interaction with the government, as well as felt part of the decision-making process," says Lidiya Pikalova. "With new street lighting, now I can visit my friends for a cup of coffee even in the evenings," she adds with a smile.

The new measures to reduce water losses by at least 30 %

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MDI specialists resulted in development of an operations improvement plan for the Alchevsk Water Company. On May 6, 2008, the plan was presented at the meeting of the Project Coordination Board with the participation of the city mayor and the City Council. The overall effort includes a plan for water losses reduction, and priority and mid-term investment planning, which when implemented will allow the company to improve its technical infrastructure and financial viability.

MDI specialists identified technical and organizational measures to be implemented in 2008 with financing from the Industrial Union of Donbas through the Alchevsk City Development Fund and projects to be implemented over a 5-year period. These measures included establishing pressure zones in the system, network replacement, and installation of water meters. It is expected that these measures will reduce commercial water losses by at least 30%. The next phase of the project will include implementation of these measures by the city, which MDI will monitor to assure their efficiency and execute a cost-benefit analysis.

ALCHEVSK PUBLIC AND PRIVATE SECTORS REPS LEARN ABOUT U.S. WASTE MANAGEMENT PRACTICES

Ten Alchevsk residents have just returned from a U.S. tour on waste management practices, sponsored by the USAID Community Connections Program, and are ready to help their hometown to implement them. The participants, who represented both Alchevsk's private and public sectors, spent three weeks seeing for themselves how the creation, disposal and treatment of waste have entered the American national cultural consciousness.

Post-consumer solid waste (PCSW) remains a major and one of the most common environmental health hazards in Ukraine. Improper and inefficient methods of collection, transport and disposal of post-consumer solid waste promote the spread of infectious disease vectors, toxic products (e.g. acid batteries discarded into curbside containers), release of

public demand for more conservation efforts. They were able to explore how communities organize the collection and disposal of household hazardous waste (batteries, bleach bottles, painting supplies, etc.).

The participants saw the improvements in waste management that have resulted in the reduction of environmental and ecological damage and health hazards from the perspective of both technical advances and, more importantly, as a consequence of heightened public consciousness. They were able to evaluate how shared attitudes can impact locally, regionally and nationally, and how they can be reinforced through cooperation among sectors and the use of various incentives.

The three-week program included site visits to many NGOs with an environmental focus, and city and state agencies in Ohio and Ken-



Participants visit a laboratory at the Environmental Health and Safety Department at the Division of Health Services, University of Cincinnati.

uncontrolled poisonous leachates into drinking/irrigation water sources. This, in turn, leads to a higher burden of death and disability. Alchevsk, a city with population of 116,000 is a rayon center and one of the biggest industrial centers of the Luhansk oblast and Donbas region. Solid waste management is one of the highest priority tasks on the Alchevsk city agenda.

The Global Center of Greater Cincinnati hosted the trip by the Alchevsk group and arranged site visits and a variety of presentations that gave participants the opportunity to learn how changes in US waste management practices occurred within the context of shifting economic, social, legal and industrial priorities. They addressed issues that included public awareness, growth of the third sector, advocacy and litigation, accountability of federal, state, and local government agencies, and implementation of anti-corruption measures. They studied how grass roots movements and community involvement triggered the movement toward stricter anti-pollution and waste disposal legislation (and compliance) on the state and federal levels. Visitors learned about changes that have occurred in consumer packaging, product development (e.g. more bio-degradable) and disposal (e.g. more recycling) through community pressure and involvement, and how they reflect the

tucky; environmental protection departments, sanitation departments, water reclamation facilities, waste management divisions, sewer districts, recycling areas and sanitary landfills, waste management areas, industrial sites. The group visited the environmental health and safety department at the University of Cincinnati, and even dropped in on Cincinnati Mayor Mike Mallory at City Hall.

As the participants in the study tour think about how to apply in Alchevsk what they saw and learned in the US, they are considering the following topics and areas of work: community work in the sphere of waste management; cooperation of local government and NGOs; outreach programs; ecological education in schools (consumer waste management community projects); consumer waste management community projects; recycling industrial waste for secondary usage; waste recycling plants; landfills – using methane gas for industrial and community needs; and waste management in medical institutions.

In the nearest future, the group will organize an Internet-conference with U.S. NGOs they visited during the visit to continue discussing issues of waste management education in schools and cooperation of NGOs and government in outreach programs and community projects.

ALCHEVSK REPORTS INTERIM RESULTS

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immediately saw results, quite literally, when budget resources helped to purchase 5,449 new energy-efficient sodium lamps, each saving \$1.05 per hour compared to the old-style lamps, resulting in \$13,000 in annual savings.

Ihor Slobodenyuk of the Municipal Development Institute noted that through joint efforts an operations improvement plan for the Alchevsk Water Company was now in place and that the all important implementation phase was to begin in July.

Finally, Natalya Boyko of the USAID-supported Association of Ukrainian Cities, reviewed the successes her organization was having in raising the professional standards of Alchevsk city workers, while Deputy Mayor Yevgenia Gogitidze explained how a recent visit by 10 Alchevsk sewage disposal experts to Cincinnati, Ohio, as part of USAID's Community Connections public diplomacy effort, helped Alchevsk to better understand current waste disposal practices in the U.S.

Corporate Philanthropy

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from ISC, the *Social Company* netted \$3,250 in its first year (the average annual salary in Ukraine is \$4,800), which supported Strumochok's activities and expenses. The money also helped the NGO launch awareness campaigns and a walkathon.

Across Ukraine, USAID/UCAN is working to stimulate the supply side of philanthropy. In 2006, the *American Chamber of Commerce* joined the project in providing grants to social entrepreneurs like the *Social Company*. To date, jointly they have funded 27 social enterprises in Ukraine.

The partnership between Gudkova and Slobodenyuk didn't go unnoticed by another USAID project – *Corporate Philanthropy: Supporting Good Practice and Transparency*. Both were invited to speak at one of the project's *Business Breakfasts* promoting corporate philanthropy to show how a business can add value to the work of a nonprofit. Aside from holding a series of business breakfasts, the project promotes corporate social responsibility by publishing a directory of businesses in Ukraine that practice corporate social responsibility to help stimulate social projects, workplace giving, charity donations, and volunteering. In February 2008, it organized a conference, which brought together philanthropists to encourage them to look for ways to deepen the impact and sustainability of their gifts by moving beyond immediate donations of food and clothing to long-term involvement.

Launched in 2007, the *Foundation for Ukraine*, a UCAN legacy organization founded to take over philanthropy activities, will draw on and develop resources to support initiatives that improve the quality of life in Ukraine. As for the *Social Company*: "Our goal is to never stop. We want to keep our children occupied, to have society accept them so that they're not reduced to being simply 'customers' of state-provided services, but who contribute in their small way to society," Gudkova says.